

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Dansville	County Ingham
Fiscal Year End February 28, 2006	Opinion Date May 3, 2006	Date Audit Report Submitted to State August 31, 2006	

We affirm that:

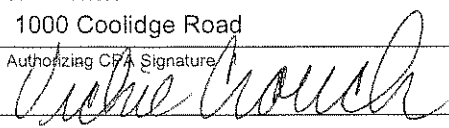
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES                                 | NO                       | Check each applicable box below. (See instructions for further detail.)   |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED.   |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute.  |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely.  |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Layton and Richardson, P.C.		Telephone Number 517-332-1900	
Street Address 1000 Coolidge Road		City East Lansing	State MI
Authorizing CPA Signature 		Printed Name Vickie Crouch	Zip 48823
		License Number 1101013436	

VILLAGE OF DANSVILLE, MICHIGAN  
INGHAM COUNTY  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED FEBRUARY 28, 2006  
AND  
INDEPENDENT AUDITORS' REPORT

VILLAGE OF DANSVILLE, MICHIGAN  
VILLAGE BOARD

Carole Colburn	President
Cheri Foster	Clerk
Karen Connor	Treasurer
Lyle Foster	Trustee
Jay Mitzner	Trustee
Jeff Ruest	Trustee
Susan Kloeckner	Trustee

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# Layton & Richardson, P.C.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Village Council  
Village of Dansville  
Dansville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Dansville, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Village of Dansville, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Dansville, Michigan as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2006, on our consideration of the Village of Dansville, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 and the required supplementary information on pages 34 through 39 are not a required part of the basic financial statement but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Dansville, Michigan's basic financial statements. The accompanying introductory section and statistical section are for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Layton & Richardson, P.C.*  
Certified Public Accountants

East Lansing, Michigan  
May 3, 2006

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## MANAGEMENT DISCUSSION LETTER

As management for the Village of Dansville, we offer readers of the Village of Dansville financial statement and this overview of the financial activities of the Village of Dansville for the fiscal year ended February 28, 2006.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Village of Dansville's basic financial statements. The Village of Dansville's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Village of Dansville's finances, in a manner similar to private-sector business.

The statement of net assets presents information on the Village of Dansville's assets and liabilities, with the difference between the two reported as assets.

The statement of revenue, expenditures, and changes present the Village of Dansville's activities and changes during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in statement for some items that will only result in cash flows in the future fiscal year.

Both the government-wide financial statements distinguish functions of the Village of Dansville that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Village of Dansville include general government, sewer, water, cemetery, public works, and maintenance.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village of Dansville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Dansville are governmental funds.

## Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the governmental-wide financial statement. However, unlike the government-wide financial statement, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources.

The Village of Dansville adopts an annual budget each fiscal year that is approved by the Dansville Village Council. During the reported fiscal year, no amendments were made to the annual budget.

## Overview of Governmental Funds

The following overview of the Governmental Funds for the Village of Dansville is a condensed financial overview of the assets, capital assets, revenues and expenditures of the reported fiscal year. This overview is to be a comparative with the previous fiscal year, however, as this is the first year of the new GASB 34 requirement, there is no comparative information available.

### VILLAGE OF DANSVILLE FINANCIAL INFORMATION

<u>Category</u>	<u>2005</u>
Assets	\$197,524.00
Capital Assets	\$484,104.00
TOTAL ASSETS	\$681,628.00
Liabilities	\$23,000.00
\$ invested in capital assets, net of related debt	\$658,628.00
Unrestricted assets	\$681,628.00
 GENERAL FUND	
Taxes	\$18,411.00
Licenses/Permits	\$8,290.00
Grants	\$44,237.00
Misc.	\$34,476.00
Interest	\$65.00
TOTAL REVENUES	\$105,479.00
TOTAL EXPENSES	\$105,185.00
EXCESS	\$294.00
TRANSFERS	\$15,751.00
CHANGE IN NET ASSETS	\$16,045.00
ENDING NET ASSETS	\$59,558.00

## OTHER REVENUES

Major Street Fund	
Revenue	\$22,680.00
Expenses	\$23,709.00
Change in fund balance	(\$1,029.00)
Ending Balance	\$4,587.00
Local Street Fund	
Revenue	\$13,872.00
Expenses	\$14,663.00
Change in fund balance	(\$791.00)
Ending Balance	\$1,407.00
Cemetery Perpetual Care	
Revenue	\$2,129.00
Transfers	(\$1,087.00)
Change in fund balance	\$1,042.00
Ending Balance	\$7,146.00
Sewer Fund	
Revenue	\$70,346.00
Expenses	\$108,411.00
Transfers	\$16,285.00
Change in net assets	(\$21,780.00)
Ending Balance	\$66,677.00
Water Fund	
Revenue	\$25,454.00
Expenses	\$22,333.00
Change in net assets	\$3,121.00
Ending Balance	\$30,292.00
Equipment Fund	
Revenue	\$28,500.00
Expenses	\$33,259.00
Change in net assets	(\$4,759.00)
Ending Balance	\$4,248.00

## Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in this report. The Notes to Financial Statements can be found on pages 23-30 of this report.



## **Requests For Information**

This financial report is designed to provide a general overview of the Village of Dansville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Clerk, Cheri Foster, P.O. Box 236, Dansville, MI 48819.

## GENERAL PURPOSE FINANCIAL STATEMENTS

General purpose financial statements provide a summary overview of the financial position of all funds and account groups and of the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow.

VILLAGE OF DANSVILLE, MICHIGAN

STATEMENT OF NET ASSETS

FEBRUARY 28, 2006

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
ASSETS				
Cash and cash equivalents	\$ 66,355	\$ 63,095	\$ 129,450	\$ 262,187
Restricted cash		61,731	61,731	
Due from state	6,343		6,343	
Capital assets	<u>6,086</u>	<u>478,018</u>	<u>484,104</u>	<u>480,204</u>
TOTAL ASSETS	<u>\$ 78,784</u>	<u>\$ 602,844</u>	<u>\$ 681,628</u>	<u>\$ 742,391</u>
LIABILITIES AND FUND BALANCE/NET ASSETS				
LIABILITIES				
Current liabilities				
Contract payable	\$ <u>          </u>	\$ <u>23,000</u>	\$ <u>23,000</u>	\$ <u>83,000</u>
FUND BALANCE/NET ASSETS				
Invested in capital assets, net of related debt	<u>6,086</u>	<u>455,018</u>	<u>461,104</u>	<u>397,204</u>
Unrestricted	<u>72,698</u>	<u>124,826</u>	<u>197,524</u>	<u>262,187</u>
TOTAL FUND BALANCE/NET ASSETS	<u>78,784</u>	<u>579,844</u>	<u>658,628</u>	<u>659,391</u>
TOTAL LIABILITIES AND FUND BALANCE/NET ASSETS	<u>\$ 78,784</u>	<u>\$ 602,844</u>	<u>\$ 681,628</u>	<u>\$ 742,391</u>

See accompanying notes to financial statements.

**VILLAGE OF DANSVILLE, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

		PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
	EXPENSES		
<b>FUNCTIONS/PROGRAMS</b>			
Primary Government			
Governmental activities			
Legislative	\$ 2,610	\$	\$
General government	64,989	27,340	77,176
Highways and streets	38,372		
Public safety	1,122		
Public works	34,072		
Recreation and culture	3,609		
Total Governmental Activities	<u>144,774</u>	<u>27,340</u>	<u>77,176</u>
Business-Type Activities			
Sewer	108,411	68,392	
Water	22,333	25,454	
Equipment rental	33,259	28,500	
Total Business-Type Activities	<u>164,003</u>	<u>122,346</u>	
Total Primary Government	<u>\$ 308,777</u>	<u>\$ 149,686</u>	<u>\$ 77,176</u>
Component Units			
Downtown development authority	<u>\$ 117,565</u>	<u>\$</u>	<u>\$</u>

General Revenues  
Property taxes levied for general purposes  
Licenses and permits  
Miscellaneous  
Unrestricted investment earnings  
Transfers  
Total General Revenues and Transfers  
Change in Net Assets  
Net Assets, March 1  
Prior Period Adjustment  
Net Assets, February 28

See accompanying notes to financial statements.

PROGRAM REVENUES CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL	
\$	\$ (2,610)	\$	\$ (2,610)	\$
	39,527		39,527	
	(38,372)		(38,372)	
	(1,122)		(1,122)	
	(34,072)		(34,072)	
	(3,609)		(3,609)	
	(40,258)		(40,258)	
		(40,019)	(40,019)	
		3,121	3,121	
		(4,759)	(4,759)	
		(41,657)	(41,657)	
\$	(40,258)	(41,657)	(81,915)	
\$				(117,565)
	21,994		21,994	287,745
	8,290		8,290	
	9,036		9,036	35,038
	324	1,954	2,278	1,919
	14,664	16,285	30,949	(30,949)
	54,308	18,239	72,547	293,753
	14,050	(23,418)	(9,368)	176,188
	57,431	603,262	660,693	483,203
	7,303		7,303	
\$	\$ 78,784	\$ 579,844	\$ 658,628	\$ 659,391

VILLAGE OF DANSVILLE, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

FEBRUARY 28, 2006

	GENERAL	MAJOR STREET	LOCAL STREET	CEMETARY PERPETUAL CARE	TOTAL GOVERN/ MENTAL FUNDS
ASSETS					
Cash and cash equivalents	\$ 53,215	\$ 4,587	\$ 1,407	\$ 7,146	\$ 66,355
Due from state	<u>6,343</u>				<u>6,343</u>
TOTAL ASSETS	<u>\$ 59,558</u>	<u>\$ 4,587</u>	<u>\$ 1,407</u>	<u>\$ 7,146</u>	<u>\$ 72,698</u>
LIABILITIES AND FUND BALANCE					
FUND BALANCE					
Unrestricted, unreserved	<u>\$ 59,558</u>	<u>\$ 4,587</u>	<u>\$ 1,407</u>	<u>\$ 7,146</u>	<u>\$ 72,698</u>

See accompanying notes to financial statements.

**VILLAGE OF DANSVILLE, MICHIGAN**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
FEBRUARY 28, 2006

Total fund balances - governmental funds		\$	72,698
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:			
Building and improvements	\$	7,303	
Accumulated depreciation		<u>(1,217)</u>	
			<u>6,086</u>
Total net assets - governmental activities		\$	<u><u>78,784</u></u>

See accompanying notes to financial statements.

**VILLAGE OF DANSVILLE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

	GENERAL	MAJOR STREET	LOCAL STREET	CEMETERY PERPETUAL CARE	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	\$ 18,411	\$	\$ 3,583	\$	\$ 21,994
Licenses and permits	8,290				8,290
State grants	44,237	22,665	10,274		77,176
Charges for services	25,440			1,900	27,340
Miscellaneous	9,036				9,036
Interest	65	15	15	229	324
<b>TOTAL REVENUES</b>	<u>105,479</u>	<u>22,680</u>	<u>13,872</u>	<u>2,129</u>	<u>144,160</u>
<b>EXPENDITURES</b>					
Legislative	2,610				2,610
General government	63,772				63,772
Highways and streets		23,709	14,663		38,372
Public safety	1,122				1,122
Public works	34,072				34,072
Recreation and culture	3,609				3,609
<b>TOTAL EXPENDITURES</b>	<u>105,185</u>	<u>23,709</u>	<u>14,663</u>		<u>143,557</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)</b>	<u>294</u>	<u>(1,029)</u>	<u>(791)</u>	<u>2,129</u>	<u>603</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	15,751				15,751
Transfers out				(1,087)	(1,087)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>15,751</u>			<u>(1,087)</u>	<u>14,664</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<u>16,045</u>	<u>(1,029)</u>	<u>(791)</u>	<u>1,042</u>	<u>15,267</u>
<b>FUND BALANCE, MARCH 1</b>	<u>43,513</u>	<u>5,616</u>	<u>2,198</u>	<u>6,104</u>	<u>57,431</u>
<b>FUND BALANCE, FEBRUARY 28</b>	<u>\$ 59,558</u>	<u>\$ 4,587</u>	<u>\$ 1,407</u>	<u>\$ 7,146</u>	<u>\$ 72,698</u>

See accompanying notes to financial statements.



**VILLAGE OF DANSVILLE, MICHIGAN**  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED FEBRUARY 28, 2006

Net change in fund balances - total governmental funds	\$ 15,267
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.</p>	
Expenditures for capital assets	
Less: current year depreciation	(1,217)
Loss on current year capital asset disposals	
Change in net assets of governmental activities	\$ <u>14,050</u>

See accompanying notes to financial statements.

VILLAGE OF DANSVILLE, MICHIGAN

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

FEBRUARY 28, 2006

	SEWER	WATER	EQUIPMENT RENTAL	TOTAL
ASSETS				
Current assets				
Cash	\$ 24,879	\$ 36,031	\$ 2,185	\$ 63,095
Fixed assets				
Sewer plant and mains	927,676	114,781		1,042,457
Equipment			85,803	85,803
Accumulated depreciation	545,833	20,669	83,740	650,242
Net fixed assets	381,843	94,112	2,063	478,018
Restricted assets				
Cash in bank - debt service	61,731			61,731
TOTAL ASSETS	\$ 468,453	\$ 130,143	\$ 4,248	\$ 602,844
LIABILITIES				
Current liabilities				
Contract payable - current	\$ 23,000	\$	\$	\$ 23,000
NET ASSETS				
Contributed capital	378,776	99,851		478,627
Retained earnings	66,677	30,292	4,248	101,217
TOTAL NET ASSETS	445,453	130,143	4,248	579,844
TOTAL LIABILITIES AND NET ASSETS	\$ 468,453	\$ 130,143	\$ 4,248	\$ 602,844

See accompanying notes to financial statements.

**VILLAGE OF DANSVILLE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

	SEWER	WATER	EQUIPMENT RENTAL	TOTAL
<b>REVENUES</b>				
Sewer and water billings	\$ 49,642	\$ 11,784	\$	\$ 61,426
Sewer and water installation	18,750	13,670		32,420
Equipment rental			28,500	28,500
Interest	1,954			1,954
<b>TOTAL REVENUES</b>	<b>70,346</b>	<b>25,454</b>	<b>28,500</b>	<b>124,300</b>
<b>EXPENDITURES</b>				
Salaries	14,498	2,381	5,952	22,831
Payroll taxes	2,232	861	904	3,997
Operating supplies	1,561	2,021	13,279	16,861
Contracted services	41,936	9,899	4,242	56,077
Utilities	8,539	456		8,995
Small equipment			6,300	6,300
Insurance	573			573
Administration fee		288		288
Permit/inspection fee		1,500		1,500
Miscellaneous		2,057		2,057
Equipment rental	12,000			12,000
<b>TOTAL EXPENDITURES</b>	<b>81,339</b>	<b>19,463</b>	<b>30,677</b>	<b>131,479</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(10,993)</b>	<b>5,991</b>	<b>(2,177)</b>	<b>(7,179)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Depreciation	(23,787)	(2,870)	(2,582)	(29,239)
Interest	(3,285)			(3,285)
Transfer in	16,285			16,285
Transfer out				
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(10,787)</b>	<b>(2,870)</b>	<b>(2,582)</b>	<b>(16,239)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)</b>	<b>(21,780)</b>	<b>3,121</b>	<b>(4,759)</b>	<b>(23,418)</b>
<b>FUND NET ASSETS, MARCH 1</b>	<b>88,457</b>	<b>27,171</b>	<b>9,007</b>	<b>124,635</b>
<b>FUND NET ASSETS, FEBRUARY 28</b>	<b>\$ 66,677</b>	<b>\$ 30,292</b>	<b>\$ 4,248</b>	<b>\$ 101,217</b>

See accompanying notes to financial statements.

**VILLAGE OF DANSVILLE, MICHIGAN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			
	SEWER	WATER	EQUIPMENT RENTAL	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 68,392	\$ 25,454	\$ 28,500	\$ 122,346
Cash payment for goods and services	(49,655)	(16,221)	(23,821)	(89,697)
Cash payment for employees	(16,730)	(3,242)	(6,856)	(26,828)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,007	5,991	(2,177)	5,821
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers in	16,285			16,285
CASH FLOWS FROM INVESTING ACTIVITIES				
Payment on contract payable	(23,000)			(23,000)
Interest received	1,954			1,954
NET CASH USED IN INVESTING ACTIVITIES	(21,046)			(21,046)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,754)	5,991	(2,177)	1,060
CASH AND CASH EQUIVALENTS, MARCH 1	27,633	30,040	4,362	62,035
CASH AND CASH EQUIVALENTS, FEBRUARY 28	\$ 24,879	\$ 36,031	\$ 2,185	\$ 63,095
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (21,780)	\$ 3,121	\$ (4,759)	\$ (23,418)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	23,787	2,870	2,582	29,239
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 2,007	\$ 5,991	\$ (2,177)	\$ 5,821

See accompanying notes to financial statements.

VILLAGE OF DANSVILLE, MICHIGAN  
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET  
COMPONENT UNIT  
FEBRUARY 28, 2006

	SPECIAL REVENUE	ADJUSTMENTS	STATEMENT OF NET ASSETS
ASSETS			
Cash in bank	\$ 262,187	\$	\$ 262,187
Capital assets net of accumulated depreciation	<u>                    </u>	<u>480,204</u>	<u>480,204</u>
TOTAL ASSETS	<u>\$ 262,187</u>	<u>\$ 480,204</u>	<u>\$ 742,391</u>
LIABILITIES			
Notes payables	\$ <u>                    </u>	\$ <u>83,000</u>	\$ <u>83,000</u>
FUND BALANCE	<u>262,187</u>	<u>397,204</u>	<u>659,391</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 262,187</u>	<u>\$ 480,204</u>	<u>\$ 742,391</u>

See accompanying notes to financial statements.

**VILLAGE OF DANSVILLE, MICHIGAN**  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
COMPONENT UNIT  
FEBRUARY 28, 2006

Total fund balances - governmental funds	\$ 262,187
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$490,240 and the accumulated depreciation is \$10,036	408,204
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of: Bonds payable	<u>(83,000)</u>
Total net assets - governmental activities	<u>\$ 587,391</u>

See accompanying notes to financial statements.

**VILLAGE OF DANSVILLE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE AND STATEMENT OF ACTIVITIES**  
**COMPONENT UNIT**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

	SPECIAL REVENUE	ADJUSTMENTS	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES			
Development and cost of sales	\$ 206,169	\$ (187,283)	\$ 18,886
Salaries	8,586		8,586
Contracted services			
Attorney	1,644		1,644
Accounting	1,000		1,000
Property maintenance and utilities	7,086		7,086
Insurance	15,425		15,425
Supplies	1,298		1,298
Taxes	25,897		25,897
TIFA repayment	54,330	(37,000)	17,330
Interest	2,256		2,256
Utilities	6,858		6,858
Marketing and promotions	1,200		1,200
Depreciation		10,036	10,036
Miscellaneous	63		63
TOTAL EXPENDITURES	<u>331,812</u>	<u>(214,247)</u>	<u>117,565</u>
GENERAL REVENUES			
Property taxes	287,745		287,745
Interest earned	1,919		1,919
Rent	12,832		12,832
Other	56,418	(34,212)	22,206
TOTAL GENERAL REVENUES	<u>358,914</u>	<u>(34,212)</u>	<u>324,702</u>
CHANGES IN NET ASSETS	27,102	180,035	207,137
OTHER FINANCING USES			
Transfer out	<u>(30,949)</u>		<u>(30,949)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	(3,847)	180,035	176,188
FUND BALANCE/NET ASSETS, MARCH 1	<u>266,034</u>	<u>217,169</u>	<u>483,203</u>
FUND BALANCE/NET ASSETS, FEBRUARY 28	<u>\$ 262,187</u>	<u>\$ 397,204</u>	<u>\$ 659,391</u>

See accompanying notes to financial statements.

VILLAGE OF DANSVILLE, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
COMPONENT UNIT  
FOR THE YEAR ENDED FEBRUARY 28, 2006

Net change in fund balances - total governmental funds	\$ (3,847)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures however, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Expenditures for capital assets	187,283
Less: current year depreciation	(10,036)
Loss on current year capital asset disposals	(34,212)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Payment on long term debt	<u>37,000</u>
Change in net assets of governmental activities	\$ <u><u>176,188</u></u>



# VILLAGE OF DANSVILLE, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

FEBRUARY 28, 2006

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Dansville is located in Ingham County, Michigan and operates under an elected village council. The Village provides general government operations including water service and sewage disposal services.

The accounting policies of the Village of Dansville conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

All funds and account groups under direct control of the Village are included in this report. These funds and account groups are those which meet the criteria established by Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, and Statement on Michigan Governmental Accounting and Auditing No.5.

The criteria established by GASB for determining which of the Village's various organizations and activities are to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the financial statements of certain other governmental organizations are not included in the financial statements of the Village.

#### **Discretely Presented Component Units**

The following entity is listed as a discretely presented component unit of the Village in the component unit column to emphasize their legally separate status from the primary government. The Village is financially accountable, and exclusion from the basic financial statements would be misleading or incomplete.

Downtown Development Authority

Complete financial statements for the individual component unit are included in this report.

#### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Village of Dansville, Michigan and its component unit. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for services. The primary government of the Village of Dansville, Michigan is reported separately from certain legally separate component units for which the Village of Dansville, Michigan, the primary government, is financially accountable.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

B. Government-Wide and Fund Financial Statements - Concluded

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary funds and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are reported when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to fund liabilities of the current period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village of Dansville.

The Village of Dansville reports the following major governmental funds:

- The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those to be accounted for in another fund.
- The Major Street Fund accounts for maintenance on the primary roads.
- The Local Street Fund accounts for maintenance on the secondary roads.
- The Cemetery Fund is used to collect interest on the cash in the fund.

The Village of Dansville reports the following major proprietary funds:

- The Sewer Fund accounts for all the activities related to the operation of the sewer.
- The Water Fund accounts for all the activities related to the operation of the water department.
- The Equipment Rental Fund is used to account for the maintenance on vehicles and other equipment rented out to other departments.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements - Concluded

Additionally, the Village of Dansville reports the following fund types:

Special Revenue Funds are used to finance particular activities and are created out of receipts of specific taxes or other earmarked revenues. Such funds are authorized by statutory provisions to pay for certain activities with some special form of continuing revenues.

The Cemetery Trust fund, a Permanent Fund, is used to account for resources legally held in trust to be used for cemetery perpetual care. All earnings of the fund, including any earnings on invested resources, may be used to support the organization's activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village of Dansville has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services and privileges provided 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All taxes are reported as general revenue.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from provided services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expense for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village of Dansville's policy to use restricted resources first. Unrestricted resources are used as they are needed.

D. Budgetary Accounting Controls

The General and certain Special Revenue funds are subject to cash basis budgetary control. Formal budgets are adopted (as required by law) and budgetary transfers, additional appropriations from additional revenues received or from unexpended funds appropriated but not spent in prior years, etc., are made as and when required. Under the Village's budget procedures, amounts appropriated by functional classification as revenue and expenditures of the General fund include interfund transfers. Since such transfers represent internal transactions within the Village government, they are reported separately in the financial statements of the various funds. Budgets lapse at the end of the fiscal year.

E. Receivables

Receivables have been recognized for all significant amounts due the Village. No allowances have been made for non-collectable accounts because most delinquent receivables can be added to the tax roll if they remain unpaid and become a lien against the property.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

F. Cash and Cash Equivalents

For purposes of the statements of cash flows, the proprietary and fiduciary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

G. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Village of Dansville as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

ASSET CLASS	DEPRECIABLE LIFE
Land	n/a
Land improvements	10-20 years
Buildings	10-40 years
Equipment	5-20 years
Vehicles	3-10 years
Utility systems	10-40 years
Streets	20-25 years
Bridges	20-25 years
Sidewalks	20-25 years

H. Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Bond discounts are reported as other financing uses. Issuances costs, whether or not withheld from the actual debt received, are reported as debt service.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Concluded**

I. Property Tax Revenue

Properties are assessed as of December 31, and the related taxes become a lien on July 1 of the following year. These taxes are due on August 31, with a final collection date of February 28 before they are returned to the County as delinquent.

J. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: **EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS**

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the activity level.

During the year ended February 28, 2006, the Village did incur expenditures in certain budgetary funds that were in excess of the amounts appropriated.

	BUDGET	ACTUAL	VARIANCE
General Fund			
Public safety	\$ _____	\$ <u>1,122</u>	\$ ( <u>1,122</u> )

NOTE 3: **CAPITAL ASSETS**

A summary of changes in governmental capital assets including internal service fund assets are as follows:

	MARCH 1, 2005	ADDITIONS	DELETIONS	FEBRUARY 28, 2006
Capital assets being depreciated				
Machinery and equipment	\$ _____	\$ 7,303	\$ _____	\$ 7,303
Less: Accumulated Depreciation				
Machinery and equipment	_____	<u>1,217</u>	_____	<u>1,217</u>
Total Capital Assets being depreciated - Net	\$ _____	\$ <u>6,086</u>	\$ _____	\$ <u>6,086</u>

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
General government	\$ <u>1,217</u>

NOTE 3: **CAPITAL ASSETS** - Continued

A summary of the asset activity for the business-type activities is as follows:

	MARCH 1, 2005	ADDITIONS	DELETIONS	FEBRUARY 28, 2006
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets being depreciated				
Sewer plant and mains	\$ 1,042,457	\$	\$	\$ 1,042,457
Equipment	<u>85,803</u>	<u></u>	<u></u>	<u>85,803</u>
Total Capital Assets being depreciated	<u>1,128,260</u>	<u></u>	<u></u>	<u>1,128,260</u>
Less: Accumulated Depreciation				
Sewer plant and mains	539,845	26,657		566,502
Equipment	<u>81,158</u>	<u>2,582</u>	<u></u>	<u>83,740</u>
Total Accumulated Depreciation	<u>621,003</u>	<u>29,239</u>	<u></u>	<u>650,242</u>
NET CAPITAL ASSETS	\$ <u>507,257</u>	\$ ( <u>29,239</u> )	\$ <u></u>	\$ <u>478,018</u>

Depreciation expense for business-type activities was charged to the following functions and activities of the primary government:

GOVERNMENTAL ACTIVITY	AMOUNT
Sewer	\$ 23,787
Water	2,870
Equipment rental	<u>2,582</u>
	\$ <u>29,239</u>

A summary of the asset activity for the governmental activity component unit is as follows:

<b>COMPONENT UNIT</b>				
Capital assets not being depreciated				
Land	\$ <u>287,169</u>	\$ <u></u>	\$ <u>34,212</u>	\$ <u>252,957</u>
Capital assets being depreciated				
Buildings	50,000			50,000
Equipment		70,137		70,137
Improvements	<u></u>	<u>117,146</u>	<u></u>	<u>117,146</u>
Total Capital Assets being depreciated	<u>50,000</u>	<u>187,283</u>	<u></u>	<u>237,283</u>

NOTE 3: **CAPITAL ASSETS - Concluded**

	MARCH 1, 2005	ADDITIONS	DELETIONS	FEBRUARY 28, 2006
COMPONENT UNIT - Concluded				
Less: Accumulated Depreciation				
Buildings	\$	\$ 5,341	\$	\$ 5,341
Machinery and equipment		3,340		3,340
Improvements		<u>1,355</u>		<u>1,355</u>
Total Accumulated Depreciation		<u>10,036</u>		<u>10,036</u>
Total Capital Assets being depreciated	<u>50,000</u>	<u>177,247</u>		<u>227,247</u>
NET CAPITAL ASSETS	<u>\$ 337,169</u>	<u>\$ 177,247</u>	<u>\$ 34,212</u>	<u>\$ 480,204</u>

NOTE 4: **LONG-TERM OBLIGATIONS**

The annual requirements to amortize long-term debt outstanding as of February 28, 2006, including interest of \$5,700 are as follows:

YEAR ENDING FEBRUARY 28,	GENERAL OBLIGATION
2006	\$ <u>83,000</u>

NOTE 5: **OPERATING TRANSFERS**

The operating transfers between funds are as follows:

FUND	TRANSFER IN	FUND	TRANSFER OUT
General	\$ 15,751	DDA	\$ 30,949
Sewer	<u>16,285</u>	Cemetery Perpetual Care	<u>1,087</u>
	<u>\$ 32,036</u>		<u>\$ 32,036</u>

NOTE 6: **FHA CONTRACT PAYABLE – SEWER FUND**

Obligation of the Village Sewer Fund and payments have been made by DDA.

FISCAL YEAR	RATE	INTEREST JULY 1	INTEREST JANUARY 1	PRINCIPAL JANUARY 1	TOTAL
2006-07	9.125	\$ 1,049	\$ 1,049	\$ 13,000	\$ 15,098
2007-08	9.125	<u>456</u>	<u>456</u>	<u>10,000</u>	<u>10,912</u>
		<u>\$ 1,505</u>	<u>\$ 1,505</u>	<u>\$ 23,000</u>	<u>\$ 26,010</u>

NOTE 7: **CASH AND INVESTMENTS**

The captions on the combined balance sheet relating to cash and investments are as follows:

Cash and cash equivalents	\$ 391,637
Restricted cash	<u>61,731</u>
TOTAL	\$ <u>453,368</u>

A summary by type are:

Deposits	
Cash in demand accounts	\$ <u>453,368</u>

Deposits. At year-end, the banks were carrying a cash balance of \$461,500. These deposit classifications are covered by Federal Depository Insurance as follows:

Non-debt deposits were insured up to \$100,000, leaving a balance of \$361,500 uninsured.

Investments. Act 196, P.A. 1997, authorizes the Village to deposit and invest in the following:

- (a) Bonds, securities and other direct obligations of the United States or its agencies.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105, P.A. 1855, as amended (MCL 21.145 and 21.146).
- (c) Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptance of United States banks.
- (f) Obligation of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Investment pools organized under the local government investment pool act.

Investments of the Village are in accordance with statutory authority.

There are three levels of risk by which investments are classified. Category 1 includes investments that are insured or registered or for which the securities are held by the Village or its agent in the Village's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Village's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Village's name. There are \$0 in investments classified under Category 2 and \$0 in pooled investment funds which cannot be classified.

The Village has not adopted a formal investment policy, as required by Act 20, P.A. 1943 as amended, that complies with State law.



## REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF DANSVILLE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

	BUDGET			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	AMENDED	ACTUAL	
REVENUES				
Property Taxes	\$ 64,000	\$ 64,000	\$ 18,411	\$ (45,589)
Licenses and Permits				
Non-business licenses			8,290	8,290
State Grants				
State revenue sharing	32,500	32,500	43,450	10,950
Liquor licenses	790	790	787	(3)
Total State Grants	33,290	33,290	44,237	10,947
Charges For Services				
Refuse collection	14,500	14,500	17,524	3,024
Cemetery lot sales	6,500	6,500	3,387	(3,113)
Cemetery foundations			478	478
Cemetery open - close			4,051	4,051
Total Charges For Services	21,000	21,000	25,440	4,440
Miscellaneous				
Interest	945	945	65	(880)
Cable franchise	1,025	1,025	1,120	95
Park donations			50	50
Refunds and rebates	1,500	1,500	7,866	6,366
DDA for public works	4,500	4,500		(4,500)
Total Miscellaneous	7,970	7,970	9,101	1,131
TOTAL REVENUES	126,260	126,260	105,479	(20,781)
EXPENDITURES				
Legislative				
Village council	3,350	3,350	2,610	740
General Government				
Village president	1,950	1,950	1,625	325
Elections	1,000	1,000		1,000
Legal	3,000	3,000	1,312	1,688
Clerk	4,566	4,566	4,732	(166)
Treasurer	4,010	4,010	2,145	1,865
Village hall and grounds	7,000	7,000	7,218	(218)
Village property	6,100	6,100	15,629	(9,529)
Cemetery	8,635	8,635	10,506	(1,871)
Unallocated	59,540	59,540	20,605	38,935
Total General Government	95,801	95,801	63,772	32,029

**VILLAGE OF DANSVILLE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - Concluded**  
**GENERAL FUND**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>AMENDED</u>		
EXPENDITURES - Concluded				
Public Safety				
Building inspection	\$ <u>          </u>	\$ <u>          </u>	\$ <u>    1,122</u>	\$ <u>    (1,122)</u>
Public Works				
Street lighting	19,500	19,500	9,653	9,847
Department of public works	6,852	6,852	6,852	
Garbage collection	<u>17,037</u>	<u>17,037</u>	<u>17,567</u>	<u>    (530)</u>
Total Public Works	<u>43,389</u>	<u>43,389</u>	<u>34,072</u>	<u>    9,317</u>
Culture and Recreation				
Parks and recreation	<u>3,900</u>	<u>3,900</u>	<u>3,609</u>	<u>    291</u>
TOTAL EXPENDITURES	<u>146,440</u>	<u>146,440</u>	<u>105,185</u>	<u>    41,255</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>    (20,180)</u>	<u>    (20,180)</u>	<u>    294</u>	<u>    20,474</u>
OTHER FINANCING SOURCES				
Transfer in	<u>          </u>	<u>          </u>	<u>15,751</u>	<u>15,751</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>    (20,180)</u>	<u>    (20,180)</u>	<u>16,045</u>	<u>    36,225</u>
FUND BALANCE, MARCH 1	<u>    43,513</u>	<u>    43,513</u>	<u>    43,513</u>	
FUND BALANCE, FEBRUARY 28	\$ <u>    23,333</u>	\$ <u>    23,333</u>	\$ <u>    59,558</u>	\$ <u>    36,225</u>

**VILLAGE OF DANSVILLE, MICHIGAN**  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 MAJOR STREET FUND  
 FOR THE YEAR ENDED FEBRUARY 28, 2006

	BUDGET			VARIANCE FAVORABLE (UNFAVORABLE)
	ORIGINAL	AMENDED	ACTUAL	
REVENUES				
Gas and weight tax	\$ 22,000	\$ 22,000	\$ 22,665	\$ 665
Interest earned	20	20	15	(5)
TOTAL REVENUES	<u>22,020</u>	<u>22,020</u>	<u>22,680</u>	<u>660</u>
EXPENDITURES				
Adminstration	2,028	2,028	1,706	322
Maintenance	<u>25,000</u>	<u>25,000</u>	<u>22,003</u>	<u>2,997</u>
TOTAL EXPENDITURES	<u>27,028</u>	<u>27,028</u>	<u>23,709</u>	<u>3,319</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,008)	(5,008)	(1,029)	3,979
FUND BALANCE, MARCH 1	<u>5,616</u>	<u>5,616</u>	<u>5,616</u>	
FUND BALANCE, FEBRUARY 28	<u>\$ 608</u>	<u>\$ 608</u>	<u>\$ 4,587</u>	<u>\$ 3,979</u>

VILLAGE OF DANSVILLE, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
LOCAL STREET FUND  
FOR THE YEAR ENDED FEBRUARY 28, 2006

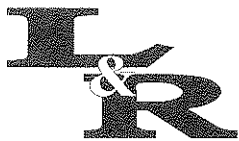
	BUDGET			VARIANCE
	ORIGINAL	AMENDED	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Property taxes	\$ 15,500	\$ 15,500	\$ 3,583	\$ (11,917)
Gas and weight tax	10,000	10,000	10,274	274
Interest earned			15	15
TOTAL REVENUES	<u>25,500</u>	<u>25,500</u>	<u>13,872</u>	<u>(11,628)</u>
EXPENDITURES				
Adminstration	3,731	3,731	1,313	2,418
Maintenance	<u>23,900</u>	<u>23,900</u>	<u>13,350</u>	<u>10,550</u>
TOTAL EXPENDITURES	<u>27,631</u>	<u>27,631</u>	<u>14,663</u>	<u>12,968</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,131)	(2,131)	(791)	1,340
FUND BALANCE, MARCH 1	<u>2,198</u>	<u>2,198</u>	<u>2,198</u>	
FUND BALANCE, FEBRUARY 28	<u>\$ 67</u>	<u>\$ 67</u>	<u>\$ 1,407</u>	<u>\$ 1,340</u>

VILLAGE OF DANSVILLE, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
CEMETERY FUND  
FOR THE YEAR ENDED FEBRUARY 29, 2006

	BUDGET			VARIANCE
	ORIGINAL	AMENDED	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Charges for services	\$	\$	\$ 1,900	\$ 1,900
Interest earned			229	229
TOTAL REVENUES			2,129	2,129
OTHER FINANCING USES				
Transfer out			(1,087)	(1,087)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER USES			1,042	1,042
FUND BALANCE, MARCH 1	6,104	6,104	6,104	
FUND BALANCE, FEBRUARY 28	\$ 6,104	\$ 6,104	\$ 7,146	\$ 1,042

**VILLAGE OF DANSVILLE, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY**  
**FOR THE YEAR ENDED FEBRUARY 28, 2006**

	BUDGET			VARIANCE
	ORIGINAL	AMENDED	ACTUAL	FAVORABLE (UNFAVORABLE)
REVENUES				
Property taxes	\$ 132,000	\$ 132,000	\$ 287,745	\$ 155,745
Property sales	75,000	75,000	56,418	(18,582)
Interest earned	300	300	1,919	1,619
Rent	12,300	12,300	12,832	532
TOTAL REVENUES	<u>219,600</u>	<u>219,600</u>	<u>358,914</u>	<u>139,314</u>
EXPENDITURES				
Development and cost of sales	176,400	176,400	206,169	(29,769)
Salaries	15,200	15,200	8,586	6,614
Attorney	3,000	3,000	1,644	1,356
Accounting	1,000	1,000	1,000	
Property maintenance and utilities	10,000	10,000	7,086	2,914
Insurance	25,000	25,000	15,425	9,575
Supplies	650	650	1,298	(648)
Taxes	1,000	1,000	25,897	(24,897)
Interest			2,256	(2,256)
Utilities	3,700	3,700	6,858	(3,158)
TIFA repayment			54,330	(54,330)
Miscellaneous			63	(63)
Marketing and promotions			1,200	(1,200)
TOTAL EXPENDITURES	<u>235,950</u>	<u>235,950</u>	<u>331,812</u>	<u>(95,862)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,350)	(16,350)	27,102	43,452
OTHER FINANCING USES				
Transfer out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(30,949)</u>	<u>(5,949)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	(41,350)	(41,350)	(3,847)	37,503
FUND BALANCE, MARCH 1	<u>266,034</u>	<u>266,034</u>	<u>266,034</u>	
FUND BALANCE, FEBRUARY 28	<u>\$ 224,684</u>	<u>\$ 224,684</u>	<u>\$ 262,187</u>	<u>\$ 37,503</u>



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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Village Council  
Village of Dansville  
Dansville, Michigan

We have audited the financial statements of the governmental activities of Village of Dansville, Michigan as of and for the year ended February 28, 2006, which collectively comprise Village of Dansville, Michigan's basic financial statements and have issued our report thereon dated May 3, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Dansville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Dansville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Village of Dansville, Michigan, in a separate letter dated May 3, 2006.

This report is intended solely for the information and use of the management, State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Layton & Richardson, P.C.*

Certified Public Accountants

East Lansing, Michigan  
May 3, 2006





# Layton & Richardson, P.C.

*Certified Public Accountants*

## LETTER OF COMMENTS AND RECOMMENDATIONS

Village Council  
Village of Dansville  
Dansville, Michigan

We have examined the general purpose financial statements of THE VILLAGE OF DANSVILLE, MICHIGAN for the year ended February 28, 2006, and have issued our report on those statements. As part of the audit process, we tested and evaluated the system of internal accounting control and the procedures used to record the financial transactions of the Village of Dansville, Michigan. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

The management of the Village of Dansville, Michigan is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles. Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our tests of the internal control procedures included evaluations of randomly selected samples of transactions from payroll, cash disbursements and cash receipts. Although we did not observe any material errors or weaknesses in accounting or financial management, the following recommendations are intended to improve the efficiency and effectiveness of control procedures:

### PRIOR YEAR RECOMMENDATIONS

We made the following recommendations concerning internal control weaknesses during our audit:

#### ALL FUNDS SHOULD BE COMPUTERIZED

We noted during our audit that the Village of Dansville is not set up on the computer. We recommend that the Village be set up on the computer. This will provide a better system of checks and balances and also possibly save time over the manual method of accounting for these funds. **The Village is setup on the computer, but it is not properly maintained. Many descriptions are missing from the ledger.**

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## **PRIOR YEAR RECOMMENDATIONS - Concluded**

### **CASH DISBURSEMENT PROCEDURES**

During the audit, we noted that invoices are not formally approved before payment is made. We understand that the board examines each invoice before the checks are signed. However, we recommend that all invoices be approved with the supervisor or clerk's initials and date before payment is made. These procedures will ensure better controls over the cash disbursement procedures. **This has not been implemented.**

During the audit we noted that only one person is in control of all the receipting and disbursing duties. We recommend that another person receive the bank statements and review cancelled checks and deposits to ensure better controls over cash. **This has not been implemented.**

### **INVESTMENT POLICY**

During the audit, we noted that the Village has not adopted an investment policy. We recommend that the Village adopt an investment policy to comply with state law. **This has not been implemented.**

## **CURRENT YEAR RECOMMENDATIONS**

None.

We are grateful to the Village employees for their assistance and cooperation extended to us during the audit.

Very truly yours,

  
Certified Public Accountants

East Lansing, Michigan  
May 3, 2006